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April 13, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

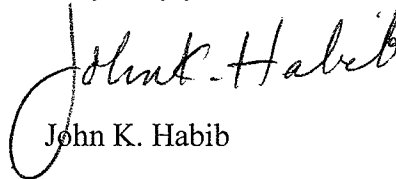
Re: NSTAR Gas Company, D.T.E. 06-10

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company (the "Company"), please find attached the Company's response to Record Request AG-1 in the above-referenced proceeding.

Thank you for your consideration and assistance in this matter.

Very truly yours,



John K. Habib

Enclosures

cc: Carol Pieper, Hearing Officer
Jamie Tosches, Assistant Attorney General
Service List

NSTAR Gas Company
Department of Telecommunications and Energy
D.T.E. 06-10
Record Request: **AG-1**
April 13, 2006
Person Responsible: Max A. Gowen
Page 1 of 1

Record Request AG-1

Please provide a copy of NSTAR Gas Company's credit policy.

Response

A copy of NSTAR Gas Company's credit policy is attached hereto as Attachment RR-AG-1.



Wholesale Natural Gas Credit Policy

Approved by: **James J. Judge**
Senior Vice President, Treasurer and Chief
Financial Officer

Reviewed by: **NSTAR Corporate Policy Committee**



Wholesale Natural Gas Credit Policy

I. **Purpose**

To ensure that NSTAR Gas Company's exposure to counterparty credit risk in wholesale gas markets is maintained at reasonable and prudent levels.

II. **Applicability**

This policy applies to the employees of NSTAR and its subsidiaries (the Company) unless limited by law or contract.

III. **Policy**

The attached **Table of Credit Exposure Limits** contains a tiered list of credit scores and associated maximum exposure limits. The credit tiers are based on either public senior unsecured debt ratings or internal ratings. The associated exposure limits represent the total maximum credit exposure that NSTAR Gas Company may have to any individual counterparty at any given point in time. The attached **Exposure Calculations** detail the appropriate methodology for calculating counterparty credit exposure. Counterparties may expand their limits by providing guarantees from acceptably creditworthy entities or letters of credit from banks that are publicly rated "A/A1" or higher. If a counterparty or its guarantor is publicly rated below investment grade or is not rated either publicly or internally by NSTAR, transactions with the counterparty are limited to spot purchases of up to 5 days in duration. Contracts existing prior to the effective date of this policy are grandfathered, but exposure will be monitored.

Measurement: For counterparties that are publicly rated or are guaranteed by publicly rated entities, the lower of the Standard & Poor's (S&P) or Moody's senior unsecured debt ratings will determine the appropriate credit tiers. For unrated counterparties or guarantors, the NSTAR Corporate Finance and Cash Management Department will secure S&P equivalent credit ratings that will be used to place the entities in credit tiers. On a quarterly basis, Corporate Finance and Cash Management Department will obtain updated S&P equivalent ratings for unrated entities.

Exposure Monitoring: The NSTAR Electric and Gas Energy Supply Department will maintain a database or spreadsheet tracking credit exposure by counterparty. On a periodic basis this file will be updated in response to significant changes in market pricing or counterparty credit, or when deemed as necessary by the Vice President of Energy Supply and Transmission, and the credit exposure to each counterparty will be checked against the counterparty's limits. The results of this comparison will be used by NSTAR Electric and Gas Energy Supply Department personnel to determine whether or not the execution of a contemplated transaction would result in a limit breach.

Mitigation: In the event of a breach, the NSTAR Electric and Gas Energy Supply Department will prepare a Limit Exception Report detailing the nature of and reason for the breach. The NSTAR Vice President of Energy Supply and Transmission will review the breach and determine whether or not and what mitigation efforts are necessary. Mitigation efforts may include, but are not limited to, exercising contractual rights with regards to collateral or security, requesting additional security from the counterparty, entering into transactions with the counterparty that result in offsets to exposure and requiring prepayment for any sales to counterparty.

IV. Responsibility

Responsibility for the content and implementation of this policy lies in the Senior Vice President and Chief Financial Officer of the Company. The Vice President of Energy Supply and Transmission is responsible for ensuring that NSTAR Electric and Gas Energy Supply Department monitors counterparty exposure and conducts business in a manner that prevents breaches of exposure limits. Failure to comply with this Policy shall result in appropriate disciplinary action, up to and including termination of employment. Requests for breaches credit exposure limits (not sure what this means) should be addressed to the Vice President of Energy Supply and Transmission.

V. Revision History

0 Original Issue

VI. Attachments

Table of Credit Exposure Limits – Attachment 1
Exposure Calculations – Attachment 2

**Table of Credit Exposure Limits for Financial Transactions –
Attachment 3**

VII. References

This policy is to be applied in conjunction with the NSTAR Code of Conduct

Attachment 1

Table of Credit Exposure Limits

This table sets forth the maximum credit exposure that NSTAR Gas Company may have to any individual entity based on its credit rating tier. For entities that are guarantors of counterparties, the maximum exposure is the lesser of the amount of the guaranty or the Rating Limit set forth in this table.

Tier	S&P Rating	Moody's Rating	Internal Rating	Rating Limit
1	AA- or Higher	Aa3 or Higher	AA- or Higher	\$25,000,000
2	A+, A	A1, A2	A+, A	\$15,000,000
3	A-	A3	A-	\$10,000,000
4	BBB+	Baa1	BBB+	\$5,000,000
5	BBB	Baa2	BBB	\$2,500,000
6	BBB-	Baa3	BBB-	\$1,250,000
7	Below BBB-	Below Baa3	Below BBB-	Security Required
U	Unrated	Unrated	Unrated	See Table Below

This table sets forth the relevant entity for credit evaluation if counterparty is publicly unrated.

Parent Rated (Y/N)	Parent Guaranty (Y/N)	Credit Entity	Limit
Yes	No	Internal Rating - Counterparty	Based on Internal Rating
Yes	Yes	Public Rating - Parent	Lesser of Guaranty Amount or Parent Limit
No	No	Internal Rating - Counterparty	Based on Internal Rating
No	Yes	Internal Rating - Parent	Lesser of Guaranty Amount or Parent Limit

Attachment 2

Exposure Calculations

The following exposure calculations will be used to measure credit exposure to any individual counterparty. The results of these calculations are cumulative (including offsets). Some of the purchase exposure calculations may result in negative values depending upon market direction. In such cases, the negative values may be used to offset overall exposure.

Purchases of Gas at First-of-the-Month Index:

$(\text{Gas Daily Index} - \text{First-of-the-Month Index}) \times \text{Contract Volume Remaining in the Month}$

Purchases of Spot Gas at Daily Prices:

Negligible Risk. Spot purchases may be made from any contractual counterparty.

Purchase of Fixed Price Gas (One month or Less)

$(\text{Gas Daily Index} - \text{Fixed Price}) \times \text{Contract Volume Remaining in the Month}$

Purchase of Fixed Price Gas - Physical Gas or Financial Hedge (Greater than One Month)

$(\text{Gas Daily Index} - \text{Fixed Price}) \times \text{Contract Volume Remaining in the Month}$
 $+ (\text{Forward Price Curve} - \text{Fixed Price}) \times \text{Total Contract Volume in Forward Months}$

Sale of Wholesale Natural Gas

Total Receivables Until Invoice is paid by Counterparty

Offset Payables

Total Payables Due Counterparty from NSTAR Until Paid

Release of Storage Inventory or Borrowed Inventory Under Asset Management Contracts

Replacement Cost of Storage Gas X Volume Released or Borrowed

Attachment 3

Table of Credit Exposure Limits for Financial Transactions

This table sets forth the maximum credit exposure that NSTAR Gas Company may have to any individual entity based on its credit rating tier. For entities that are guarantors of counterparties, the maximum exposure is the lesser of the amount of the guaranty or the Rating Limit set forth in this table. This table is applicable only to financial transactions that do not involve the physical delivery of gas.

Tier	S&P Rating	Moody's Rating	Internal Rating	Rating Limit
1	AA- or Higher	Aa3 or Higher	AA- or Higher	\$45,000,000
2	A+, A	A1, A2	A+, A	\$30,000,000
3	A-	A3	A-	\$15,000,000
4	BBB+	Baa1	BBB+	\$10,000,000
5	BBB	Baa2	BBB	\$2,500,000
6	BBB-	Baa3	BBB-	\$1,250,000
7	Below BBB-	Below Baa3	Below BBB-	Security Required
U	Unrated	Unrated	Unrated	See Table Below

This table sets forth the relevant entity for credit evaluation if counterparty is publicly unrated.

Parent Rated (Y/N)	Parent Guaranty (Y/N)	Credit Entity	Limit
Yes	No	Internal Rating - Counterparty	Based on Internal Rating
Yes	Yes	Public Rating - Parent	Lesser of Guaranty Amount or Parent Limit
No	No	Internal Rating - Counterparty	Based on Internal Rating
No	Yes	Internal Rating - Parent	Lesser of Guaranty Amount or Parent Limit